SYNOPSIS

ON

# ***Impact of Financial Literacy on Equity and Mutual Fund Investments (With special reference to individual investors in Aurangabad).***

For the Registration of Doctor of Philosophy

Under the faculty Management Studies

In subject

**Management Sciences**

by

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# 1. INTRODUCTION

*"The best investment you can make is an investment in yourself. The more you learn, the more you'll earn" _____ Warren Buffet*

*"An investment in knowledge pays the best interest" _____ Benjamin Franklin*

**1.1** In common terms, **'Income'** is the sum total of all the wages, salary, profits, interest payments, rents and other forms of earnings received… in a given period of time. In Economic terms, 'Income' is the consumption and savings opportunity gained by an entity within a specific timeframe, generally expressed in monetary terms. In public economy, the term may be used to indicate accumulation of monetary and non-monetary consumption ability. Thus, it is clear that, higher the income of an individual, higher is the consumption ability of it. So, generally, for a salaried individual, salary is the general form of income.

The International Accounting Standards Board (IASB) uses the following definition: "Income is increases in economic benefits during the accounting period in the form of inflows or enhancements of assets or decreases of liabilities that result in increases in equity, other than those relating to contributions from equity participants."[1]

Per capita income or average income measures the average income earned per person in a given area (city, region, country, etc.) in a specified year. It is calculated by dividing the area's total income by its total population. Per capita income is total resources/total population. Per capita income is often used to measure an area's average income. This is used to compare the wealth of one population with those of others. Per capita income is often used to measure a country's standard of living. It is usually expressed in terms of a commonly used international currency such as the euro or United States dollar, and is useful because it is widely known, is

easily calculable from readily available gross domestic product (GDP) and population estimates, and produces a useful statistic for comparison of wealth between sovereign territories. This helps to ascertain a country's development status. It is one of the three measures for calculating the Human Development Index of a country. Income per capita has been increasing steadily in almost every country. Many factors contribute to people having a higher income such as education, globalization and favorable political circumstances such as economic freedom and peace. Increase in income also tends to lead to people choosing to work fewer hours. Developed countries (defined as countries with a "developed economy") have higher incomes as opposed to developing countries tending to have lower incomes.

The per capita income in real terms (at 2011-12 prices) during 2014-15 is estimated to have attained a level of Rs. 74,104 showing a rise of 5.9% as compared to 69,959 during 2013-14.

**1.2** **Savings** and **Investments** are used interchangeably by common retail investors. However, there is difference in both the terms. Economists and Financial Experts typically use these terms separately.

Households buy goods or services from spending his income to fulfill his needs. The portion of income remaining is spared for future needs. This portion is generally termed as savings. It is typically kept in bank as deposit in intention to earn some interest on it. In a Keynesian sense, savings is whatever is left over after income is spent on consumption of goods and services, investment is what is spent on goods and services that are not 'consumed', but are durable.

Saving is typically for smaller, shorter term goals in the near future (usually less than a year) like going on vacation or having money for an emergency. Savings give access to ready cash when you need it. But many savings are generally kept in saving bank account or some postal recurring deposits. All these savings earn interest, but are typically offer less interest. The savings are not carrying any significant risk as almost all savings accounts are insured by deposit insurance guarantee schemes. On the other hand, investments are made for longer term goals which typically fetch more interest rates and compensate on higher inflation rates. These can be made for child education, retirement planning, etc.

An **Investor** is an individual who invests in financial instruments to counter inflation risk and fulfill his long term goals. Investor allocates capital with the expectation of a future financial return. Types of investments include: equity, debt securities, real estate, currency, commodity, derivatives such as Futures and Options. However, all these investments are subject to market risks. It can be inflation risk, default risk, currency risk, liquidity risk, etc. All these investments are made into capital markets.

**Capital Markets** are markets where companies raise their capital for their working requirement; it may be for long term requirement or short term requirement. Markets can be primary or secondary. Primary markets are the markets, where companies raise their capital for the first time. Secondary markets are the markets where trading takes place many times and the transactions occur quickly. Transactions on the secondary market don't directly help raise finance, but they do make it easier for companies and governments to raise finance on the primary market, as investors know if they want to get their money back in hurry, they will usually be easily able to re-sell their securities. These securities can be Equity, debt securities, real estate, gold, currency or any other commodity. It can also be hybrid securities and Mutual Funds.

Mutual Fund is a professionally managed investment fund that pools money from many investors to purchase securities. Mutual funds have both advantages and disadvantages compared to direct investing in individual securities. Today they play an important role in household finances, most notably in retirement planning. Mutual funds are a growing option for investors than to direct equity investments because of their professionally managed nature, small possible investment, regular investments, diversification and better returns in longer run.

The securities which are available for investments for retail investors in the secondary market are always transacted using broking services. The purchase of Mutual Funds happens by consultation with Mutual Fund advisors. In India, all mutual fund advisors are AMFI certified professionals who are qualified to sell mutual funds products to individuals. Ideally, every individual should buy the Mutual Fund or Equity products by understanding his or her individual requirements, risk appetite and objectives of investments. Here comes the concern of financial literacy of an individual.

**1.3** **Financial Literacy** is the subject of great interest to many economists and financial advisors. Ability of an individual to read, write and speak a particular language is called literacy. In simple language, financial literacy is the possession of knowledge and understanding of financial matters. It is the ability to understand how money works in the world: how someone manages to earn or make it, how that person manages it, how he/she invests it and turns it into more. Thus it is overall basic knowledge of how the finances move around him and how he can maximizes his money based on his own ability to understand, analyze and monitor the finances.

Financial literacy has become a prominent concern among banking and non banking corporations, government and non government agencies, educational institutions, consumer and community interest groups and other national and international organizations only recently. Therefore, the studies on financial literacy are new and the literature has not expanded substantially to embrace all dimensions and segments of the population.

Aurangabad is also strategically important city for the research purpose as a sample city. It has a proper mix of individual investors which can be generalized to conclude the survey and study for the country as a whole. The city represents manufacturing sector employees from Auto and auto ancillary sectors, which truly represents Indian economic cycle. It also contains employees from Pharmaceutical and Beverage sector industries. It also has a larger chunk of small and medium enterprise owners who substantially invest in the various investment avenues and are classified as HNI investors. Service sector investors represent Insurance, banking & NBFC sector employees; tourism and Academic sector employees also holds a large chunk of investors as city has many tourism and Academic institutions and University Institutions. Another individual investor class is represented by the Professionals like Doctors, Lawyers, Realty Developers & Builders and Chartered Accountants. So, overall, Aurangabad city represents all types of investors such as Government/Private sector, Manufacturing/Service sector, HNI/middle class, Professionals/Employees and importantly majority of investors are in their 30s and 40s when we consider the age of the investor.

# 2. LITERATURE REVIEW

**2.1** The academic literature has identified four principal ways in which financial literacy needs vary.

1. The complexity of the economy in which one lives affects one's financial literacy needs. Studies on financial literacy reveal that because of changes in economic policy, economies have become more complex so that people require more financial knowledge.

2. Financial literacy needs vary over the course of one's life. This is explained by the life cycle theory dealt with extensively in the economics literature. This model finds that some age groups, e.g. young and middle-aged adults, require the greatest financial literacy.

3. Financial literacy needs vary across social strata in the society. People with few financial assets do not have the same literacy requirements as people with many assets.

4. Financial literacy needs vary by individual life goals.

Below mentioned are some International and National studies in regards to financial literacy and its impact on investments.

**2.2** International Development agencies like **OECD**, World Bank and ADB are actively engaged in the propagation of financial literacy. Their activities consist of sponsored studies, workshops, seminars and conferences. The OECD has been promoting the importance of financial literacy for many years. This international organization has 'Directorate of Financial and Enterprise Affairs' which monitors programmes and studies on financial literacy among the member countries. Responding to the concerns of member governments, the OECD launched a comprehensive high level project on financial education in 2003. This project has produced a large number of concrete outcomes in three main areas: measurement and analysis, standard setting and international cooperation.

In the area of measurement and analysis, a key milestone of the OECD is the publication of the first major study of financial education at the international level, entitled *Improving*

*Financial Literacy: Analysis of Issues and Policies* (2005).[2] The OECD has since then developed analytical papers and methodologies on a wide range of issues related to financial literacy. In the area of standard setting, the OECD council formulated its first international *Recommendation on Principles and Good Practices for Financial Education and Awareness* (2005). These principles address the role of government, financial institutions, and employers and the design of financial education for achieving financial literacy.

The **World Bank Group** is working to strengthen financial literacy & financial education on several fronts: by undertaking analyses, such as impact analysis of financial literacy programs and developing data on financial literacy; by incorporating financial literacy in the agenda to expand access to finance including new technological approaches to financial inclusion; by strengthening financial consumer protection frameworks; and by promoting a multi sector approach to the topic encompassing finance, education, and social protection through national strategy processes.

ANZ Bank (2003)[3] defined, "financial literacy is about enabling people to make informed and confident decisions regarding all aspects of their budgeting, spending and saving and their use of financial products and services, from everyday banking through to borrowing, investing and planning for the future". These reports also support the definitions drawn from Schagen and Lines (1996)[4] who defined financial literacy as "the ability to make informed judgments and to take effective decisions regarding the use and management of money".

However, it is important to note that financial literacy can only ensure individuals are informed to make decisions, it cannot ensure the 'right' decision is actually made. This is because individuals do not always make decisions based purely on economic rationality.

Britain's Financial Services Authority describes financial capability as encompassing the outcomes of "managing money", "planning ahead" or retirement planning, "choosing products" or financial service usage, and product familiarity or financial literacy, which they termed "staying informed". Atkinson (2006) and Personal Finance Research Centre (2005) stated, "Financial capability tends to refer to both financial knowledge and financial management behavior". Thus, Financial Capability can be summarized as a set of financial knowledge, skills

and behaviors among individuals. Another group of researchers Atkinson, Alba and Hutchinson argued that "financial literacy is a component of financial numeracy".

**Susan L. Rutledge** (2010)[5] in the working paper, 'Good Practices for Consumer Protection and Financial Literacy in Europe and Central Asia: A Diagnostic Tool' presents a set of 'Good Practices for Consumer Protection and Financial Literacy' developed for the World Bank's Europe and Central Asia Region, using international experience as a guide. The Good Practices provide a practical tool for systematic analysis of laws, regulations and institutions involved in consumer protection and financial literacy and allow detailed cross country comparisons. The Good Practices are based on four key concepts: a) consume disclosure should be simple, easy to understand and comparable; b) abusive business practices by financial service providers should be prohibited; c) consumers should have an easy, inexpensive and speedy method of resolving disputes with financial institutions; and d) financial education should be available to consumers so that they can understand financial services and products and make informed decisions. The Good Practices were developed as part of a pilot program in consumer protection and financial literacy, which has prepared Diagnostic Reviews in ten countries of Europe and Central Asia since 2005. The good practices were released as a consultative draft in August 2008 to contribute to the international dialogue on strengthening financial regulation, and to obtain feedback and input from regulators and other stakeholders worldwide.

**Hussein A. Hassan** (2009)[6] in his research study '*Financial literacy and investment decisions of UAE investors',* states that financial literacy of UAE investors is well below the needed level. The study analyses the relationship between the financial literacy and the influence of the factors that affect the investment decisions. This study categorized 37 variables into eight groups. Eight variables corresponding to self image / firm image coincidence, eleven variables corresponding to accounting information, six variables corresponding to neutral information, five variables to advocate recommendation, and seven variables to personal financial needs. The study found that a significant difference in the level of financial literacy was found between the respondents according to their gender. Women were found to have lower level of financial literacy than men.

**2.3** The study by **Elizabeth Bell** and **Robert I. Lerman**[7]of Urban Institute, Washington in 2005 '*Can Financial Literacy Enhance Asset Building'* focuses on regions recognized as backward and presents the results of a pilot study conducted in Alsigarh village in Rajasthan. The Objective of the study was twofold: first, to understand the financial flows of the poor with the help of an empirical analysis and second, to understand the finer nuances of savings habits and credit behaviors. The study substantiates that asset building strategies for low and moderate income families typically rely on strengthening incentives to save and invest. Families often need help to make informed and appropriate decisions, especially in today's complex financial market place. Even when incentives are strong, many families spend beyond their means, too few save enough for contingencies. One reason is that many low and moderate income families lack the basic knowledge to save and invest wisely, build wealth, and avoid excessive debt. Another reason is the lack of institutional arrangements that make enrolment in savings programs the starting point or default option, encouraging sound financial decisions. Low income families are especially vulnerable to misinformation.

**Pallavi Seth, G.N. Patel and K.K.krishnan** (2010)[8] conducted a study entitled '*Financial Literacy & Investment Decisions of Indian Investors, A Case of Delhi & NCR'* to assess the level of financial literacy among people residing in Delhi and National Capital Region (NCR) who invest in different financial instruments, like Post office Savings Scheme, Mutual Funds, Life Insurance, Stock Market etc. The study analyses the relationship between financial literacy and other factors like age, income and education. The study also tries to find out the financial instruments which are considered to be the most reliable and the source of information which is mostly used by the individuals while taking investment decisions. The study indicated that the financial literacy of investors in Delhi and NCR was different for different financial instruments. Around 96% of respondents have savings account in the banks, but the mere acquaintance with banks is not adequate, as only around 30% had knowledge about National Savings Certificate & Public Provident Fund. While 98% of the investors knew about Life Insurance, only about 45% preferred Life Insurance as the most effective financial instrument, which would be helpful at the time of contingencies. Around 92% of the investors knew about mutual funds but only 24% preferred them. Financial literacy is found to be affected by age, income and educational level of the individuals. High income respondents had high financial

literacy than lower income people. The study also revealed that people consider Life Insurance as the most effective financial instrument followed by Fixed Deposits in banks. It has also been found that most of the people relied on telecast in the T.V channels or advertisements put out in the newspapers and magazines to learn about financial products followed by "advice" form friends. But, while investing in share market, around 21% people relied on brokers.

The study '*Micro Finance and Empowerment of Scheduled Caste Women: An Impact Study of SHGs in Uttar Pradesh and Uttaranchal'* conducted by BL Centre for Development Research and action sponsored by **Planning Commission of India** (2007) reveals that accessibility to institutional credit to rural women is very limited and there is sex bias in extending the credit to them. However, women from the non farm sector have better access to banks than the women working in the farm sector. Male members have greater influence on accessibility to credit utilization and its repayment.

**Chandra** (2011)[9] explained that not only professional and contextual sources of information, which include stock brokers, financial consultants and investment advisors, but also contextual factors such as, market share and reputation of the firm, accounting and financial information, publicly available information through various media, advocate recommendation that of brokers, family and friends and personal financial need influence the investment decision of investors. They also found that investors also follow technical analysis, fundamentals (accounting and financial information) and market share of a company while investing.

## 2.4 Financial Information and Investment Decision Making

The decision making for investment products can be described within the framework of consumer purchase decision making, which is depicted as a series of steps that include problem recognition, information search, and evaluation of alternatives, purchase decision, and post purchase behavior (Schmidt & Spreng, 1996)[10]. Under this framework, information search is one of the critical elements of consumer decision making (Moore & Lehmann, 1980)[11].

Individuals make decisions with regard to their personal finances on a daily basis. Investment generally involves substantial amount of money and risk, and information search is therefore an important activity for many consumers before making investment decisions. This is

especially true for long term financial decisions, such as retirement planning (Bernheim and Garrett, 2003)[12]. However, they suggested that consumers not only need information, they want information on relevant products and services for retirement. Previous studies found that consumer expertise and knowledge are important to the decision making process for the purchase of financial products or services and consumer knowledge also influences financial behavior. Thus, financial knowledge and money management skills are crucial for making good financial decisions. **Lusardi and Mitchell** (2006-2008)[13] also found that the least literate are also the least likely to plan and save for retirement. Kim (2007)[14] found that "excessively high debt levels, low saving rates, becoming targets of investment fraud, delinquency on credit cards and bankruptcy have all been found to be related to financial illiteracy in individuals" and found that " adults lack the financial knowledge to make competent and effective financial choices". Lusardi and Mitchell found that financially unsophisticated households tend to avoid the stock market investments". On the subject of risk, there is clear evidence to show that services have a higher degree of perceived risk when compared directly with goods which directly and positively correlates to information search and purchasing decision. That is, the greater the perceived risk, the greater the information search and the subsequent delay in making a purchasing decision. In the literature, there is a consensus, both conceptually and empirically, that a higher level of perceived risk in a pre purchase context increases consumers' propensity to seek information about a product or service. Abdelkarim (2009)[15] said that the financial information is supposed to facilitate the prediction of firm's future cash flows and help the investors to assess the future securities risk and return; hence performance forecast should be crux of the financial information.

The importance of information in the pre purchase decision making process for the consumers of financial product and/or services has also been established. However, while making investment decisions, consumers' information search (behavior) depends on their motivation to search and their ability to search, none of these studies ranked personal information sources. Lin suggests investors collect financial information from personal as well as impersonal sources. Personal sources include professional financial services providers (brokers, financial planners, and other professionals), friends/relatives, experienced investors, and third party agents. Impersonal sources include written material (e.g. books, brochures, reports, magazines), media (e.g. TV, radio programs), and the Internet. The literature evident that family

is a particularly credible source considered to be more trustworthy than friends or professional advisors such as accountants of financial planners. In addition participants mentioned that seeing a relevant television segment, or reading a relevant newspaper article or listening to a relevant radio program had promoted them to give some thought to their long term financial future.

The review of literature is evident to the fact that financial literacy levels possessed by the individuals among the various countries is low irrespective of the stage of development of the country. Among them, several studies have also established a relationship between financial literacy and demographics of an individual. While, the studies done by consumer economists attempted to establish the relationship of financial literacy with various financial behaviours, as an outcome of financial education. The studies documented in this chapter shows a low level of financial literacy and lack of financial information/education affect the ability to perform responsible financial behavior. In the context of Indian Economy, the researcher has proceeded further with an exploratory research to find out whether the investors in the city of Aurangabad, in the state of Maharashtra, which is one of the most progressing cities of Maharashtra, possess the sufficient level of financial literacy and does it have any impact on their investment decisions.

On the basis of literature review done in previous sections of this synopsis, general conclusions have been drawn and are mentioned as follows:

1. There is a low level of financial literacy among the various demographic groups of the citizens of different countries, irrespective of stage of the economic development of a country.
2. There is a strong relationship between financial literacy level and demographic factors. The literature review supported that there is a strong relationship between financial literacy levels and demographic factors such as age, gender, education, income level and work experience.
3. There is a relationship between financial literacy of individuals and their financial behaviors.

# 3. RESEARCH METHODOLOGY

The below mentioned details will provide an in depth view of research methodology discussing on how researcher will carry out his proposed research.

**Objectives of the Study**

The objective of this research is to study the level of financial literacy of investors of Aurangabad city of Maharashtra state and its impact on their investment decision on the Mutual Fund and Direct Equity investments.

Specific objectives of the research are:

1. ***To explore the financial literacy level among the investors of Aurangabad City.***
2. ***To study the relationship between demographic and socio economic factors of investors and their financial literacy level.***
3. ***To study the investors' preference towards various sources of information for investment.***
4. ***To study the impact of financial literacy level on the investment decisions of individual investors specially with respect to Mutual Fund and Equity investments.***

**Null Hypothesis**

1. The impact of demographic variables is insignificant for making Investments in Equity and Mutual Fund.
2. The association between monthly Income and Expenditure with Financial Literacy is not significant.
3. The association between Financial Literacy and Investment decisions in Equity and Mutual Funds is not significant.

As mentioned above, the researcher is planning to explore the level of financial literacy level among the investors of Aurangabad city. Researcher intends to find the Basic financial literacy (financial competency) and Advanced financial literacy (product literacy) of the individuals under the consideration.

Basic Financial Literacy is the knowledge and understanding of basic financial concepts, principles and ability to understand key financial concepts. It consists of factors such as scope of the term investment, financial worth, concept of disposable income, types of bank accounts, concept of inflation, time value of money, functioning of stock market, diversification, risk return trade off, risk, investment time and expected return, asset allocation, interest rates and asset prices, consumer rights and responsibility and standard KYC norms.

Advanced Financial Literacy is the understanding the basic features of various financial services/investment instruments available in the Indian Financial systems. It can be Fixed Deposit, NSC, PPF, EPF, Equity Shares, Preference Shares, Mutual Funds, Debentures & Bonds, Post Office MIS and Insurance plans.

## 3.3 Research Problem

Many Institutions, national and international, are constantly working towards increase of Financial Literacy among individual investors. In India, Government of India, Reserve Bank of India and Securities Exchange Board of India are constantly working towards implementing financial reforms and make remarkable changes in Indian financial system. Increase in Financial transactions in secondary markets, increase in savings, and their mobilization towards capital markets has been a significant achievement. Their constant endeavor towards the field of spreading financial literacy is quite remarkable. In spite of such efforts, many of the Indians are still lying low on financial literacy.

The real test is to confirm how much benefit all this brings in terms of decision making; financial product selection, capital formation, and systematic investment planning have been made in the field of Direct Equity investments and Mutual Funds.

## 3.4 Sampling Design

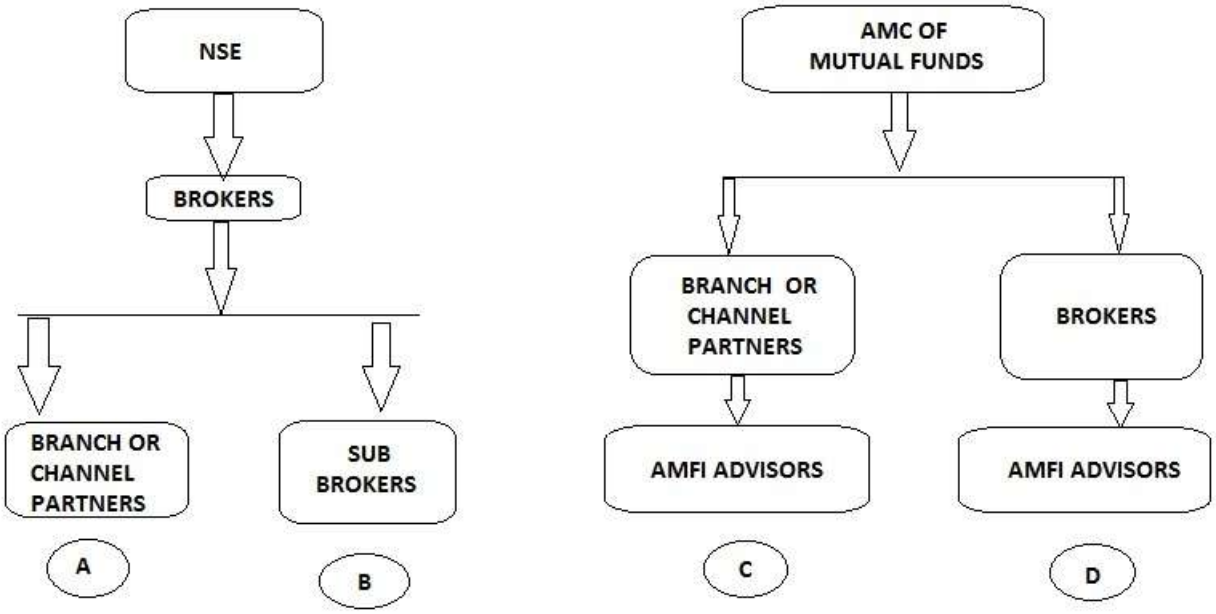
**Target Population** for the study is all households in the city of Aurangabad who make investments in financial instruments like in Equity and Mutual Funds. Individual investors can be investing in Equity markets or Mutual Funds or there can be few investors who invest in both segments.

**Sampling Unit** is an object for which the data is being gathered. For this study, sample unit is the total number of Individual demat account holders whose account is active for at least last one year and Individual Mutual Fund Investors who are investing in Mutual Funds from at least last one year. However, it is not possible to find exact number of individual demat account holders in the area because one person can have multiple demat accounts with many brokers. Also many demat accounts can be inactive if they do not trade for a particular period. Similarly, many mutual fund SIPs will be discontinued for many reasons, so we are interested in only those accounts which are active since last one year. Therefore, for the study, Purposive Sampling is considered. Below mentioned table shows number of registered AMFI advisors and Equity intermediaries working from Aurangabad. This data is obtained from AMFI and NSE websites.

| | |
|---|---|
| Registered AMFI advisors | 327 |
| Registered NSE Members | 381 |

Apart from registered individual intermediaries, there are many NBFCs and Banks which are selling Mutual Funds and providing demat account services as a channel partner to the Mutual Fund houses and Equity Brokers. There are 5 private banks namely Axis, ICICI, Indusind, HDFC and Kotak Mahindra, and 4 PSU banks namely SBI & Associate banks, BoB, Canara and PNB selling mutual funds and demat accounts as a cross selling product to their existing customers to earn commissions and brokerages.

Below mentioned pictorial flow chart presentation represents how sample size will be collected in order to carry out research.




Researcher proposes to select 10 advisors/sub brokers each from sources A, B, C and D.

Total number of Advisors / Sub Brokers considered will be (10 * 4) i.e. 40

10 clients i.e. Equity and/or Mutual Fund investors from each advisor are to be considered for the survey.

Total number of investors to be interviewed for survey = 10 * 40 = 400

**SAMPLE SIZE = 400**

**Questionnaires** will be prepared and used for Primary data collection. It will be used to judge the Basic Financial Literacy level and Advance Financial Literacy level of the respondents. Researcher will also try to find out qualitative aspect of investment decisions made by investors and current status of their investments using appropriate questionnaire.

Questionnaire will focus to collect the data using Demographic and Socio Economic variables, investment alternatives variables, variables used as preferred source of information, variables influencing investment decisions variables used to analyze current status of their historical investment decisions. These questions will focus to collect information from individual investors.

Another Questionnaire will be prepared to analyze qualitative aspect of advisory services provided by intermediaries as and when seek by individual investors when buying any particular financial instrument.

Most of the questionnaire will use '*Five Point Rating Likert Scale'* as interval scale used to analyze financial literacy levels. The scale used to collect Demographic and Socio Economic variables will be '*Nominal'* scale with '*Multiple Choice Questions'*.

# 4. DATA ANALYSIS

**Data Analysis techniques** such as Frequency Distribution Charts such as Bar Charts, Pie Charts will be used. Descriptive statistics such as Arithmetic mean, Standard Deviation will be used in order to find out association between demographic and socio economic variables which will make impact on Financial Literacy leading to investment decisions. Techniques such as chi-square tests, correlation and regression analysis will be used in the study. The analysis will be done by using Microsoft Excel, SPSS as per the requirement. The hypothesis framed will be tested by using required statistical tests.

# 5. CONCLUSION

Indian stock market is an indicator of the health of the economy. An efficient and a vibrant capital market facilitate sustainable development of the economy. Lot of development measures and the economic reforms have been carried out last couple of years to protect the interests of all the stakeholders of the capital market. Investors are the backbone of capital market. India needs an increasing flow investor savings to corporate enterprises. The number of investing households and individual investors has also increased significantly.

The present study is an attempt to find out the impact of various factors on investors investment decisions and its impact thereby. Investors invest in both primary and secondary market. The volume of resources mobilized in the primary market has increased significantly. Savings of household sector mobilized through shares and debentures. The study based on primary and secondary data investors is planned to gain a deeper understanding of impact of various factors such as Investor Awareness, its' financial goals, mode of investments, etc. The study will help to establish the fact that the investment strategies of the investors are largely influenced by the demographic factors, psychological factors, company fundamentals and external factors of the investors. Among the various methods of investment in capital market, majority of investors prefer investment through the secondary market.

As per the AMFI, SEBI statistics, Investments made by individual investors have substantially shifted from Fixed Income securities such as Fixed Deposits, PPF and Postal Savings towards Direct equity and Mutual Fund investments in last couple of years. Researcher is optimistic that this planned study will confirm the fact for local Aurangabad area also. It will also provide significant outcomes to study of impact of financial literacy on to direct equity and mutual fund investments by individual retail investors.

# 6. CHAPTER PLAN

The study will be presented in following chapters:

1. **Introduction & Theoretical Framework:** In this chapter Introduction to topic will be presented along with this Research Methodology, the academic framework for Financial Literacy, Mutual Funds, Equity Market will be presented
2. **Review of Literature:** It will comprise of review of Research Papers, Ph.D. Thesis and Journals from various e-data bases as well as printed materials. The scope will cover International and National studies on the topic & Research gap
3. **Data Analysis:** in this chapter data analysis will be presented with the help of Bar Charts, Pie charts, Tables, percentages. Arithmetic Mean, standard deviation, statistical tests such as Chi-square tests, co relations, regression will be done by using Microsoft Excel and SPSS as per the requirements.
4. **Findings, Suggestions and conclusion:** In this chapter the findings about co relation between demographic and socio economic variables and Financial Literacy will be established. And the impact of this all variables on the investment decisions in equity and mutual funds. Suitable suggestions from the study and conclusions will be mentioned.
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6. **Appendix**

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